Arctic Development

Strategic Market Research For Canned Smoked Arctic Char; Research Components 1, 2 And 3; Final Report

Type of Study: Marketing & Trade Arctic Foods, Food Marketing/prod Development

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April 18, 1990

Mr. Richard Zieba
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Business Development Division
Economic Development and Tourism
Government of the Northwest Territories
Box 1320
Yellowknife, NWT XIA 2L9

Dear Mr. Zieba:

Re: Arctic Char Market Research: Research Components 1, 2 and 3

We are pleased to submit three copies of our final report outlining the first three Market Research Components of the project:

1. Market Research and Literature Review;
2. Taste Tests; and
3. Interviews with Retailers and Distributors.

The final component (Test Marketing) will be reported on separately and is undertaken under separate contract.

We enjoyed having the opportunity to work on this project with you and look forward to being of mntinued service.

Yours trufy,
DELOITTE & TOUCHE

Deloitte & Touche

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Enclosure

STRATEGIC MARKET RESEARCH
FOR CANNED SMOKED ARCTIC CHAR

RESEARCH COMPONENTS 1, 2 and 3

FINAL REPORT

Prepared for

DEPARTMENT OF ECONOMIC DEVELOPMENT& TOURISM

GOVERNMENT OF THE NORTHWEST TERRITORIES

YELLOWKNIFE

Prepared by

DELOITTE & TOUCHE

EDMONTON, ALBERTA

April, 1990

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1.0 BACKGROUND

1.1 Need for the Research

The Department of Economic Development and Tourism (the Department), Government of the Northwest Territories (GNWT) is interested in producing and exporting canned smoked arotic char to southern Canadian and key northern retail markets. In the mid-1970's, a cannery operated in Rankin Inlet. However, due to technical problems, lack of an adequate market, and low returns relative to the costs of production, the cannery was subsequently closed. The Department has now determined that the demand for canned smoked arctic char has increased to a level warranting further research into re-establishing a cannery in the north.

Current annual commercial production of arctic char in the NWT is 160,000 pounds. Total production capacity is 200,000 pounds, equating to a oanning volume of approximately 340,000 7-1/2 ounoe (212 gram) tins. The cannery in Rankin Inlet, if re-tooled and operational, would have the oapacity to produce up to 250,000 tins annually which would be available on a year-round basis. The Department believes that a cannery would provide an effective alternative demand for less marketable two to four pound char and, potentially, for the majority of NWT's char production. A test-run of 7,000 tins (packed by a British Columbia plant) of canned smoked arctic char was proposed by the Department to be used for required market research.

1.2 Approach to the Research

The Department issued Terms of Reference in August, 1989 requesting proposals "...for marketing the canned char and setting up the market survey." Specific requirements outlined in the Terms of Reference involved:

'a) *determining the market size;*
b) *acting as a liaison between government and the retailer;*
c) *market analysis of trial marketing of the product;*
d) *limiting market to Edmonton;*
e) *determining moat appropriate location of a gourmet retailer(s) and/or tourist outlet(s) which will reflect the characteristics of the product;*
f) *establishing a wholesaie selling price, between $4.50- $5.50;*

g) evaluating consumer reaction on presentation, label and box, size of fhe can, price and palatability.'

Upon awarding the contract, discussions between the consultants and Department staff led to several changes to the initial research requirements. These changes resulted in the final "Contract Terms of Reference" and additional research amendments reflecting further consultant-client discussions, including:

1. **the level of smoke and box design, while pre-determined at the outset of the research, were ultimately re-evaluated following awarding of the contract;**
   - **taste-testing of canned smoked arctic char at various levels of smoking was conducted at the Food Processing Development Centre at Leduc, Alberta and in-house at Deloitte & Touche, Edmonton;**
   - **focus-group research was conducted in Vancouver to assess packaging and market characteristics of the proposed product;**
2. **the test market location was changed from Edmonton to Vancouver upon identifying the major potential market for the specialty product to be largely foreign tourists (focus-group research supported this decision);**
3. **attempting to test market the product over the Christmas '89 season was deemed inappropriate and was delayed until a later date; and**
4. **test-marketing would be conducted in up to seven outlets with an initial volume of 5,000 cans being made available.**

The final research methodology incorporates four key components:

1. **Market Analysis and Literature Review;**
2. **Taste Tests;**
3. **Interviews with Retailers and Distributors; and**
4. **Test-Marketing.**

This report provides findings for the first three components, consolidating all primary and secondary research available prior to actually test-marketing the product being assessed. Findings of the fourth component will be prepared following the market test.

2.0 MARKET ANALYSIS AND LITERATURE REVIEW

2.1 Marketina Process

Marketing is a continued process of discovering by trial and error, research, learned observation and other methods, what is desired by customers relative to what is made available by suppliers. Products and services are in demand by customers to meet their needs and firms attempt to supply these needs in a oost-effective manner. Marketing continues until the products or services are actually discontinued.

The four figures which follow describe the general marketing process which needs to be followed at various levels and times for firms to achieve an actual sale of some sort.

The first phase of the marketing process is market analysis which is largely what this study focuses on. Market analysis is the group of activities that attempt to measure the size of markets, potential problems and customer expectations.

Phase 1- Market Analysis
Objective: Measure Market Needs
Tasks: a. Prellmlnary market appraisal
b. Selection of tentative market segment

Market survey - an evaluation of: . Demography . Economics and trends . Marketplace	Capability of parent company . Technical . Financial , Product . Marketing	selection of tentative market-segment targets	Go/no-go on viability of notional market and targeted market segments DECISION *1

Source: Frelman

Following the analysis of the market, a decision to proceed (or not) to Phase 2 follows.

In Phase2 of the marketing process, product planning deoisions are made. This involves estimates of product costs, specifications and testing depending on the product concept that may be pursued.

Phase 2- Product Planning

Objective: Feasibility Study on the Proposed ProductE

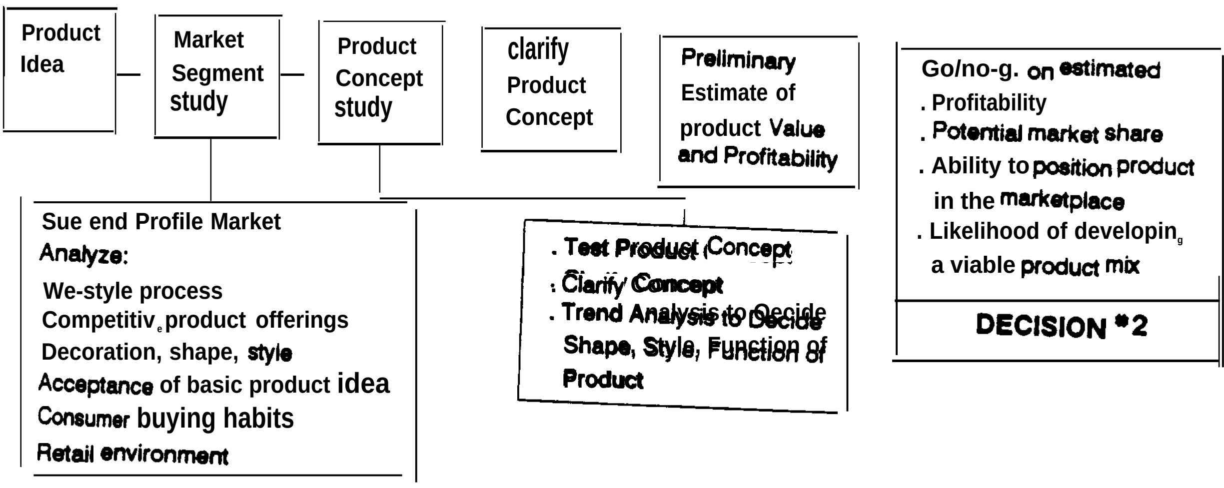
Tasks: a. Define target market segment

b. profiie consumer

c. Ciarif y product concept and deveiop positioning strategy

d. Make preliminary profitability estimate

e. Estabiish probability of having a winner



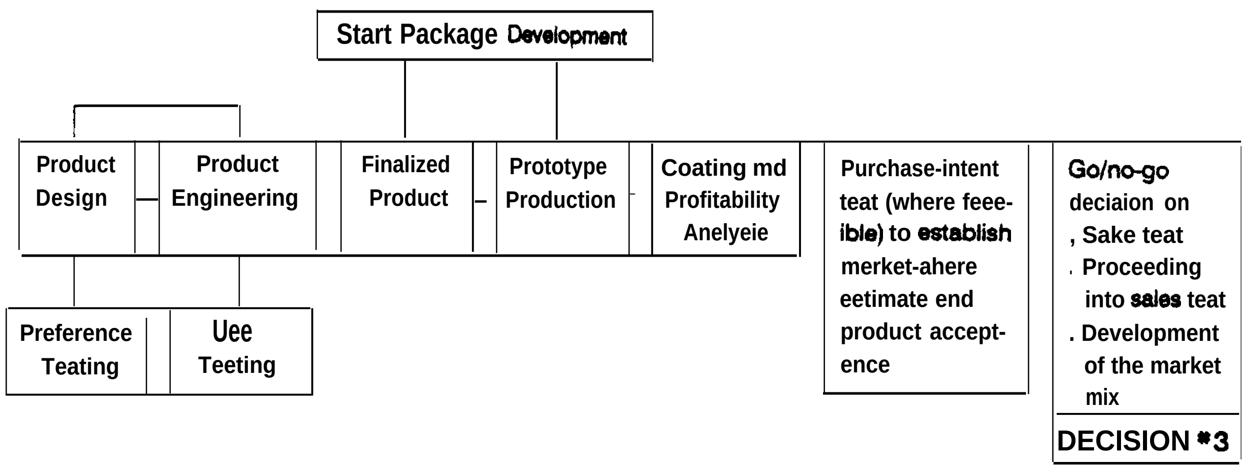
Source: Frelman

The third phase of the process is product development at a more detailed level. This would involve screening the number of potential products to a manageable number. In this case, only one product is ultimately being evaluated.

Phase 3- Product Development

Objective: Develop a Viable Product Mix That Reflects Market Needs

Tasks:
- **a. Finalize design, engineer product**
- **b. *Cost* product mlx**
- **c. Establish consumer acceptance**
- **d. Conduct preliminary profitability analysis**



Source: Frelman

The final phase of marketing is that of merchandising or actually selling the product. This phase involves product awareness campaigns, promotions and use of a sales force.

Phase 4- **Merchandising**

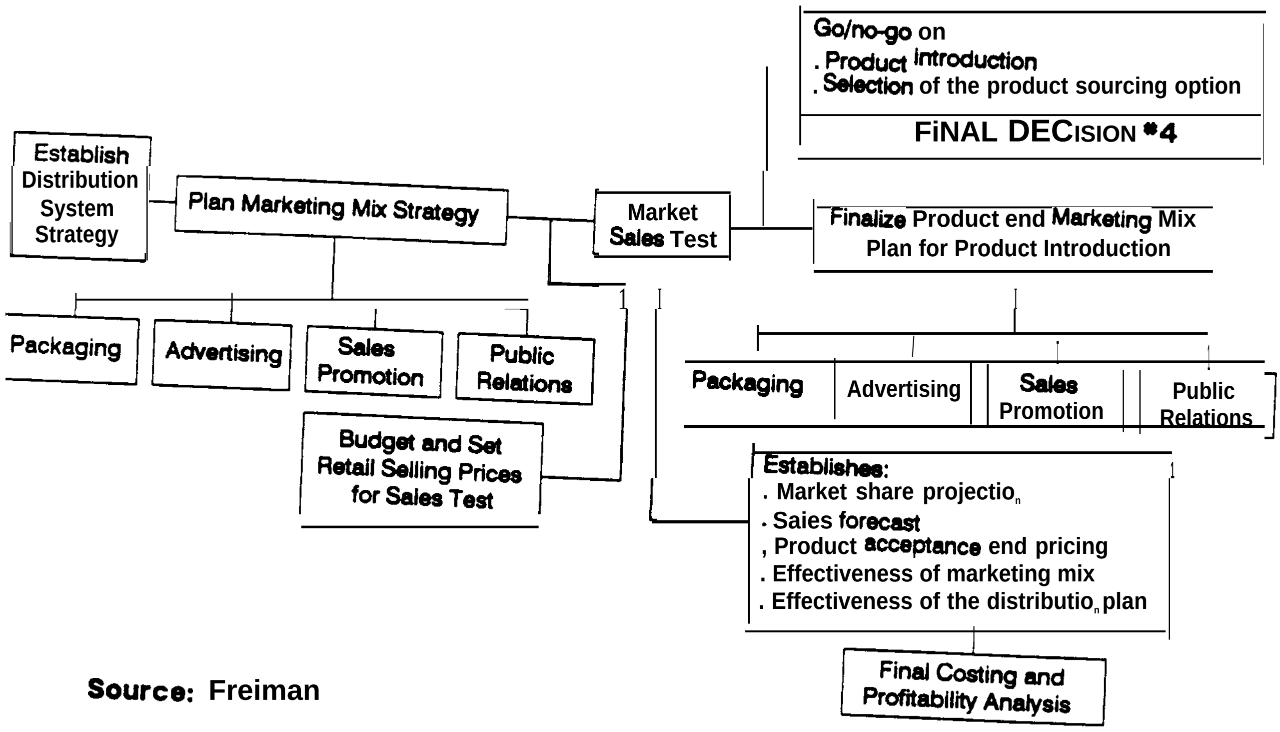
Objective: Marketing Mix and **Distribution** System **Planning**

Tasks: a. **Establish** distribution system strategy

b. Deveiop marketing mix and purchasing proposition

c. Confirm market share potentiai and viabiiity of product offering

d. Justify manufacturing faciiity if required or other source of product



Source: Freiman

While this study focuses on selected activities within the marketing framework, it is important to note any additional activities that may not yet be addressed.

The degree of detail on each of the marketing components described will vary depending on available information and the success of research efforts. Gaining insight into past product marketing attempts, competing products, consumer characteristics and market size is critical to evaluating the potential for successful market entry. However, the product being proposed is unique and has a very limited market history, As such, use of the standard market tools such as price and income elasticities is neither possible or appropriate. This unavailability of data on the proposed product is compounded by the lack of data on relevant competing products. Information available on global trends in fish and seafood consumption provides an indication of the acceptance of all fish products in general, but does not specifically apply to the proposed product.

In an attempt to gain additional information, the British Columbia Trade Development Corporation, Tourism Vancouver, the British Columbia Ministry of Tourism, the Fisheries Council of British Columbia (the trade association for B.C. canned salmon) and Industry, Science and Technology-Canada (ISTC) in Vancouver were contacted.

The information provided in this section summarizes previous efforts relevant to test-marketing the proposed product and draws on limited past experiences in both the B.C. canned salmon and the NWT country food industries. B.C. Salmon was identified as the most relevant competing product and much can be learned from examining this highly developed industry.

2.2 Fish and Seafood Trends

Research published by the Standing Senate Committee on Fisheries' indicates that, in the past ten years, fish and seafood has become an everyday staple and is often considered to be a gourmet treat. Changing consumer tastes and preferences have increased the demand for fish and seafood. In addition, the development of more efficient transportation and handling systems has significantly increased the penetration of inland markets. The demand for fish and seafood, especially in industrialized countries, has increased well beyond the level that existing supply can meet. As the demand continues to exceed supply, there is a need for new product forms.

> *"The move towards vaiue-addition has apparently caught fire, particularly in the north American seafood market. Suppliers of conventional product forms have joined the bandwagon by adding prepared items in answer to expanding demand for exotic seafoods in forms which are easy to cook and serve. . . . seafood marketers are profiting from the broadening taste of consumers, as shown by the increased interest in non-traditional species. 'Q*

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[1] The Marketina of Fish in Canada, published by the Standing Senate Committee on Fisheries, December 1987, page 31.

[2] Ibid., page 37.

While interest in fish and seafood products is apparent, inadequate or inconsistent supply, accompanied by fluctuations in prices, may diminish mnsumer interest in specific products. In roping with this growing demand, accessing or creating supply will pose the greatest challenge for producers. The challenge lies in satisfying the diverse markets with their inherent consumer preferences. Canadians may learn from the efforts of other countries, particularly Norway, Chile, New Zealand, Australia, Ireland, Iceland and Greenland and a dozen others who are aggressively increasing their supplies of fish production and harvest.

2.2 Export Markets

2.2.1 Global Overview

Although Canada is the world's largest fish exporter, fish consumption by Canadians has only risen slightly in comparison to consumption in the United States[3].

The Fisheries Council of British Columbia has studied the export marketing efforts to place canned salmon worldwide.' Competition for the world markets is fierce with stiff competition from Notway which is able to respond quickly to the European market demand with its relatively low production and transportation costs. The strength of Canadian products has been their consistent high quality due to stringent control at ail stages of production.

B.C. salmon is marketed worldwide in canned or frozen form. Major export markets for canned salmon include the U. K., Europe, Australia and New Zealand. In France, consumers prefer a fresh product while differing tastes in the U.K. make it a primary market for canned salmon. These markets are detailed in the Table 2.1 below,

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[3] Ibid., page 38.

[4] Trends in the Commercial Fishina Industrv of British Columbia, 1983-1987, Fisheries Council of British Columbia, April 19S9.

Table 2.1
World Sales of British Coiumbia Canned Saimon
(Cases = '000s)

	1983		1984		1985		1986		1987		5 Yr. Average	
	Cases	%	Cases	%	Cases	%	Cases	%	Cases	%	Cases	%
Canada	654	55	622	56	571	54	562	36	607	41	609	47
U.K	337	28	216	19	234	22	561	34	411	28	352	27
Europe	82	7	85	8	66	6	276	17	207	14	143	11
Austraiie	73	6	107	10	105	10	98	6	143	10	105	8
New Zeaiand	31	3	66	6	36	3	66	4	55	4	51	4
Other	20	2	24	2	48	5	68	4	66	4	45	3
Total	1,197	101	1,120	100	1,061	100	1,660	100	1,489	100	1,305	100

Standard case weights 27.2 kiiograms

Source: Trends in the Commerciai Fishina industrv of British Coiumbia, 1983 -1987, Fisheries Councii of British Columbia, Aprii, 1989.

The average (1983 - 1987) nominai export prices of Canadian canned saimon, aithough dated, indicated a 48 pound case price of about $180.00. Assuming a case containing seven ounce cans, this would equate to about $1.65 per can (Tabie 2.2).

Tabie 2.2
Five Year Average of Prices Paid for
Canned Saimon in Major Export Markets

Canned Saimon ($Cdn./48 Lb. Case\

	SuPPLiERS	
Markets	Canada	U.S.A.
U.K	$183.02	$124.73
Austraiia	172.43	107.57
New Zealand	141.77	65.26

Source: Trends in the Commerciai Fishina Industrv of British Coiumbia, 1983 -1987, Fisheries Council of British Columbia, Aprii, 1989.

Research undertaken by Dr. J. Anderson and Michael D. Hurst' into the world markets for fresh and frozen salmon provides an indication of consumption trends and potential markets. These trends may have iimited relevance to the proposed product since it is

[5] Market Access and Penetration Strateav - B.C. Farmed Salmon, Dr. J. Anderson and Michael D. Hurst, Februaty 1987.

a new canned item, competing most closely with canned salmon. These data do, however, provide a general indication of trends in worldwide salmon consumption.

The main markets for salmon are Japan, Europe and North America. Salmon consumption is illustrated in Table 2.3 below:

Table 23
Consumption of Fresh/Frozen Salmon
19s3

Country	Consumption (tonnes)	Per Capita (kg)
Japan	273,600	2.33
Us.	53,700	0.23
France	21,100	0.39
Canada	12,100	0.50
U.K.	10,600	0.19
Sweden	6,600	0.62
Denmark	6,200	1.21
West Germany	5,300	0.09
	366,400	

Source: Market Access and Penetration Strategy - B.C. Farmed Salmon

This represents 56% of total worldwide salmon production including canned. Japan has the largest per capita consumption of salmon, and a total volume of five times the United States. Japan's imports have increased due to a loss of access to foreign fishing grounds, the growing demand for salmon by increasingly affluent Japanese, and more favorable exchange rates.

2.2.2 European Economic Communitv

Fish exports to the European Economic Community are dependent on prices of competing products as well as exchange rates and protective tariffs on imported fish products. As a result, exports to Europe have recently been declining.

Secondary processing of smoked reindeer and smoked fish in Scandinavia, coupled with consumer confidence and awareness, has resulted in successful distribution of these products throughout Europe. The GNWT Ministry of Economic Development and Tourism believes similar success can be achieved with the secondary processing of country foods in the Territories.

External Affairs Canada provides a guide' intended.to alert Canadian Fish exporters to fish product export market opportunities. No data are available for arctic char. However, the major markets for more common varieties of fish and seafood are provided for centres with trade missions. The markets identified for canned fish and canned salmon are Dusseldorf, Madrid and Milan.

Italy imports about one third of its total fish consumption, and export opportunities exist for canned salmon. Canadian exports to Italy totalled $31 million in 1987.

Until recently, salmon was unknown in Spain. Recent efforts by Norway to introduce salmon to Spain as well as Spain's high consumption of canned fish products create excellent opportunities for Canadians to export canned salmon. Canadian canned salmon was first exported to Spain in 1987; Canada supplied less than one percent ($140,000) of Spain's total seafood imports.

2.2.3 United States

At present, North America represents the largest, most immediate market for B.C. farmed salmon, in particular the United States'. All species exported from Canada are popular and demand is increasing each year. Markets can be found if quality and price are acceptable.

The U.S. market for salmon continues to grow as U.S. domestic production is directed towards exports to Japan. Currency exchange rates play an important role in this demand, however, and the recent strength of the Canadian dollar in relation to the U.S.A dollar has had a detrimental effect on continued expansion into the U.S.A.

2.2.3.1 California: The California market has the highest per capita consumption of seafood in the United States and continues to offer excellent opportunities for Canadian suppliers. Major concerns for exporters are competitive pricing and exports from Chile and Norway. Close proximity should provide a competitive advantage with respect to lower transportation costs in relation to other exporting countries.

" The Fish Product ExDott Market ODDOrtunities Guide, published by External Affairs Canada, November 1988.

[7] Annotated Fish Product ExDort Market ODDOrtunities Guide 1988-1989 External Affairs, Canada, May 1989.

The challenges facing Canadians wishing to penetrate the lucrative California market are discussed by Michael Bernard, in an article in the Edmonton Journal, December 30, 1989. In order to enter this "fast-paced, cutthroat market; firms must be "persistently annoying" in getting their products placed. Because the market is huge, market research is imperative and must be focused. One Vancouver firm producing bottled water spent two and a half years studying consumer preferences, label design and bottle shape before launching their product.

Our experience with the California market is that it contains many ethnic markets and has the largest number of Mexicans, Japanese, Koreans and Vietnamese living outside of their home countries.

2.2.4 Japan

Japan is the world's largest market for salmon, consuming one third of world production. The country's fish and seafood imports increased by about 20 percent in 1988. Total Japanese imports for 1988 reached 134 thousand tonnes. The enormous market size and increasing demand for high quality products means tremendous opportunities for Canadian exporters. Canada supplies Japan with less than 10 percent of this demand'. The fishery sector has been one of the most rapid growth sectors for Canadian exports to Japan, having tripled since 1983.

The huge potential Japanese market has also been identified by Anderson and Hurst*. However, they note that Japanese preferences dictate the types of fish products which can enter the market:

- Japanese consumers typically favour salted and smoked salmon over fresh.
- Consumers are sensitive to prices for imported salmon.
- Japanese consumers are very quality and price conscious. They prefer sockeye salmon because of the deep red flesh colour while Pacific salmon is indigenous to Japan.
- Japanese trading companies view the B.C. salmon farming industry with skepticism and require assurances with respect to quality and consistency.

" Trends in the Commercial Fishina Industrv of British Columbia. 1983-1987, Fisheries Council of British Columbia, April 1989.

' Ibid.

It should be reinforced that Japanese consumers are especially sensitive to packaging quality and appeal. Inadequate care and attention to packaging detail can lead to a product failing on the market. Canadian packaging is not generally acceptable in that market.

2.3 Marketina Consideations and Challenges

External Affairs Canada provides assistance to exporters and has identified the criticai factors to consider for successful marketing of Canadian products[10]:

- The worid economy is changing daiiy. New"products are being developed and new markets are opening. Canadian exporters are known for their high quaiity products and services, competitive prices and imaginative marketing.

- Success in export markets requires totai commitment to understanding product requirements and cuitural differences.

- Success depends on how weii you cultivate your target market; displaying products is the secret of success.

2.3.1 Marketina Chaiienaes

Purchase criteria inciude species, size, coiour, product form, quaiity, price, taste, country of origin and availability. In light of these criteria, the foiiowing challenges face the fish and seafood industries:

- Lack of uniform product standards and descriptions.
- Lack of quantity and price information.
- Compiex distribution channeis.
- Lack of strong price/quaiity relationship.
- Significant eCOnOmieS of scaie in marketing are difficult to achieve by smaii producers acting aione as weii as the high costs of the marketing and selling functions.
- High costs of production and transportation.
- Lack of a marketing focus.

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10 So You Want to ExDort? Makina the Initial Decision, (External Affairs Canada).

2.s2 Strengths

The B.C. salmon industry has capitalized on several market attributes and was advised to further its marketing efforts based on the following strengths[11]:

- Strong positive image associated with wild salmon.
- Positive impact of Expo '86 and strong image of B.C. as a world-class sport fishing area.
- High quality harvesting and processing techniques.
- Stability of the Canadian dollar.
- Opportunities to develop market positioning as the "best" product. Consumer awareness of fish tends to be low and efforts to educate the consumer will be useful.

2.3.3 Demand Factors

Demand-related issues must be addressed when identifying potential markets. In North America, fish consumption is low in relation to other countries. As with most products, three primary factors affect domestic consumption:

- Population level and growth rate;
- Income levels; and
- Substitutes and their prices.

In addition, specific taste and familiarity characteristics relevant to fish products play a role, including:

- Inconsistent quality;
- Product is viewed as perishable;
- Possibility of product contamination;
- Lack of familiarity in selection and preparation of seafood;
- Negative [religious] association with seafood;
- Lack of availability; and
- Availability of other sources of protein.

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11 Meetina the Challenoe: Industrv. Science and Technoloav in Canada.

2.3.4 Demographic Considerations

Demographic characteristics of regular consumers of fish have been identified:

- Inoome is positively correlated with consumption and income and education are important variables in determining consumption. The top income group consumes seven times more fresh fish than the lowest income group.
- 80% of seafood oonsumers are between 24 and 64 years of age.
- About 50% of all fish is oonsumed by people in cities of 1 million or greater.
- Away from home consumption ocours in urban areas.

The groups most likely to increase their consumption are those who are already consuming large amounts of seafood. A way to increasing fish consumption is effeotive promotion and education of consumers, and encouraging use of fish at more than one time per day.

2.4 Northern Food Products

Participants at The Northern Food Conference, February 1987, identified the opportunities for marketing N.W.T. products. The potential for the country food industry was brought to the forefront during Expo '86 and confirmed that the N.W.T.'S unique food produots are an integral part of the tourism package which require further development and promotion. The conference identified the challenges facing the northern food industry.

The experience of Expo '86 in marketing fish was successful, especially considering the seaport location. The west coast market responded favorably to the N.W.T. char and whitefish.

Leading fish produots in the N.W.T. are trout, whitefish and arctic char. Substantial surplus volumes exist. Opportunities to increase sales appear to be limited, however, because trout and whitefish are abundant in southern markets and there is a distinct market preference for other products including arctic char. Arctic char has been limited by economics of production; the species is found primarily in remote areas resulting in high production costs. If it were justified economically, commercial production could increase three or four times the current level of 250,000 pounds[12]. Three potential markets for northern products were identified:

- Native market;
- Northern non-native market; and
- Southern and international markets.

A Country Food Marketing Survey'[3] compiled recommendations for marketing NWT foods. The majorii of respondents believed that efforts could be made to build awareness of country foods by producing more sophisticated, colourful and informative product-specific ads directed at tourists. Survey results indicated strong demand for certain seafood products (scallops and shrimp); however, respondents indicated that it was too early to estimate the demand for value-added products like smoked char, although all respondents liked the product. It should be noted that this survey looked only at further processing of "fresh' char and did not look into demand for canned smoked char. Respondents indicated they would like to see char filleted and cryovac packed with a variety of cuts. In terms of fresh food products, char and caribou are in greatest demand in NWT establishments (restaurants, general stores).

Country foods currently being harvested amount to about $70 million. According to Maurice O'Flynn, a top Canadian chef and manager of Team Canada, *'forget about supplying the local market and concentrate on selling internationally to Japan and Hong Kong where northern foods are seen as a speciatty, gourmet* ***item.***"[14]

The Baffin Regional Council, January 18, 1988, discussed the potential of the Baffin Arctic Food industry:

> *'There is some difficulty in estimating the potential value of the industry due to the current high costs of harvesting and inefficiencies in processing. The export market is yet unproven for this seasonal and exotic industry. Seafood products face* ***stiff competition*** *from the Government subsidized industry in Greenland. Long term*

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12 The Northern Food Conference. Februarv 1987. Note: This is higherthan reoent production levels of 160,000 pounds.

13 The Country Food Marketina Survev. June 1987.

14 The Arctic Food Industry, Northwest Explorer, page 33.

*growth can be expected in all products as the harvesting, processing and **marketing** efficiency are developed and refined to ensure a competitive market **position.**"*[15]

Indeed, arctic char has generated market interest and its unique northern identity warrants research into production and distribution. A number of recommendations for the NWT fishery industry have been suggested, specifically:

'Development of a steady supply and consistent quality level of char should be **encouraged to enable greater** ***competition*** *with salmon. ... There appears* **to be** ***a*** *growing demand in the N. W.T. for char in various forms such as smoked or **fresh.**"*[16]

2.5 ExDort Potential for Arctic Char

The Canadian Arctic Resources Committee's research report into the export potential for arctic char recommends that:

'... phased development of the arctic char fishery be pursued to achieve development potential, including the following assessments: detailed market research **to** *develop a marketing strategy for constructing **additional** fish processing **facilities,** and market analysis and pm-feasibility studies of transportation and other costs involved before additional test fisheries are **supported."***

. . . furthermore . . .

*"Commercial development has been constrained by the relatively slow growth, depressed productivity and low abundance so characteristic of arctic fish resources. Development has also been constrained by the fact that territorial producers are remote from the places where most consumption occurs and the production of other goods takes place. For many of the species of commercia/ interest, there exist lower-cost sources of supply. Finally, in spite of a growing interest in commercial development, many northern residents have little or no experience in commercial ventures. **In** combination, these constraints to commercial development are such that, for the foreseeable future, the economic potential is relatively modest.""*

Southern and international market potential requires sufficient funds for promotion. Char can be positioned as unique, exotic and healthy (high in protein, low in fat, no

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'S **Baffin Arctic Foods Development. Fundina Proposal to the Economic Development Aareement, submitted by the Baffin Regional Council, January 18, 1988.**

1.. **Production and Marketina of Country Food from the Northwest Territories, Deloitte &Touche, June 1988.**

17 **Economic ODportunities in the Commercial Fisheries of the Northwest Territories [Northern Perspectives, Volume 15, Number 4, November 1987, pages 9-10.]**

presetvatives). The demand for smoked char is largely undefined and the industry faces several constraints on external market access (federal inspection, licensing, price competitiveness and limited supply, ability to provide consistent quality and supply at a reasonable price). However, several economic benefits would accrue to the territory from the development of NWT food products:

> "- *value added processing will add further employment opportunities and cash to the sefflement economy.*
>
> *-... stimulate further interest in seeking new and **different** Arctic food harvesting and processing opportunities therefore expanding the local economy."*

Unfamiliarity with arctic char places an additional constraint to consumer acceptance. The Committee has provided an excellent description of the fish:

> *"Char or Charr, is a common name of a fish of the genus Salvelinus of the Salmon family related to the trout. The mature char weighs from 2 to 8 pounds. The char has smaller scales than the true trout (Salmo), **differs** in the structure of the vomer, and has red instead of black spots especially during the breeding season. The colour is greyish or green above, the lower parts red, especially in the male, the lower fins are anteriorly margined with white. Its sides are marked with round red spots, and its back is not marbled. The species has a wide **distribution,** occurring in cold lakes and mountain streams of central and notthern Europe, of northeastern America, andprobablyalso in Siberia. **It is** extremely variable, and has consequently received a host of specific names, such as "saibling", **"Salbling",** "ombre **chevalier",** and "Greenland trout". The chars are the most active and handsome of the **trout** and live in the coldest, clearest and most secluded waters. They can weigh up to 100 pounds. The best known of the distinctively American chars is the brook trout, or speckled trout; but trout of the Rangeley **Lakes,** in Maine, is somewhat nearer the European type."*

Research conducted by Don Ference & Associates Ltd. provides an indication of the marketability (market potential and viability) of various NWT foods incJuding arctic char:

> *"The coastal fishery is dominated by the production of arctic char which generates revenues of $250,000 to* **$400,000** *annually* **[estimated at $540,000 to $700,000 for 1989].** *While arctic char annually represents only 5% of commercial fishery in the N.* **W.T.** *in terms of volume, it represents* **20%** *to* **30%** *of the N. W.T. fishery in terms of value.* "[18]

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18 Renewable Resource Development Subsidiary Aareement - Decision Guidelines Main Report, Mav 1987, GNWT, with updated estimates provided by Economic Development and Tourism, GNWT.

2.5.1 Current Fresh Arctic Char Marketing

The Freshwater Fish Marketing Corporation (FFMC) is responsible for marketing all char sold outside the NWT. Don Ference & Associates discussed the recent attempts of FFMC to market fresh rather than frozen char in Decision Guidelines Main Report on the Renewable Resource Development Subsidiary Aareement (May, 1987, page 89) since fresh commands a higher price; the FFMC believes the viability of char from the NWT can be enhanced by selling as much fresh product as possible. Research by FFMC also indioated that the prairie market was limited due to size and they recommend that the market for char should be explored in the more lucrative centres of Toronto, Montreal, New York, Los Angeles and San Francisoo which are capable of paying a much higher price than the grocery chain stores in the prairies (which apparently account for the majority of char sales).

Recent increases in per capita fish consumption on the west coast of North America are now being followed by increases in eastern Canada and the United States. Placement of fresh or frozen arctic char in new markets should at least increase consumer awareness of the fish. The introduction of a canned char product could then capitalize on previous marketing efforts.

FFMC has identified other opportunities for realizing higher returns from arctic char, including smoking. However, these markets have not yet been developed but ‘should be explored”.

The previous Deloitte Haskins & Sells'[19] study analyzed the production and marketing of arotic char. Southern restauranteers expressed interest in arotic char, but salmon was reported to dominate the fish market. Seafood is in constant demand, however, there was some indication that ‘northern seafood was not perceived as unique” although this generally refers to whitefish, shrimp and soallops:

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[19] Production and Marketina of Countrv Food from the Northwest Territories, Deloitte Haskins & Sells, June 1988.

"The only fish identified as unique to the N.W. T. was arctic char. Fish peddlers and restaurants often request it over salmon. However, the preference is for fresh productandonlya verylimitedsuppiyis avaiiable. . . . Moderne **(a dominant fish and sea food marketer)** *also believes that more char could be sold if the public* **was** *more aware of the fish."*[20]

However, chefs still tend to compare char to salmon when making their purchase decisions and arctic char would therefore have to compete on price.

One wholesaler indicated that char was a unique product and faced competition only from salmon. The Deloitte study did not identify the market potential for further processing of char (smoked and/or canned); however, it concluded that arctic char has a "unique northern identity that other species lack."

2.6 Competing Products

2.6.1 Products Merchandised in Vancouver

Consistent with the relationship of fresh char to fresh salmon, it has been suggested by several seafood retailers and consumers during the current research that canned smoked arctic char competes with canned smoked salmon. The consultants interviewed several retailers in Vancouver to obtain their views on the viability of marketing N.W.T. canned smoked arctic char. Most respondents indicated that in the absence of any labelling and packaging, it was difficult to predict consumer response to the proposed price. These interview findings are detailed in Section 4.0.

During the course of our research, competing products were identified and are listed in Table 2.4.

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[20] Ibid. page 139.

Table 2.4
Competing Products

Brand Name	Description	Price
Cheena	Smoked Salmon 19S gram canned, wooden box	$10.00
	Wooden box with Cheena "salmon" iogo	1.25
Fan-Sea	Smoked Salmon 220 gram can	7.96
Jet Set Sam inc.	Canadian Smoked Sockeye Salmon 190 gram can	7.98
Maurino	Canadian Wood Smoked Salmon 19S gram can	5.90
Red Pacific	Sockeye Salmon 106 gram can	4.95
Red Pacific	Smoked Sockeye Salmon 106 gram can	4.95

Source: Deloitte & Touche, Vancouver retaii survey, December, 1989

Nielsen's Food Index Sewice (NFI) measures consumer saies in food stores across Canada. Specialty salmon products such as salmon packaged in wooden or cardboard cartons are primarily sold in department and specialty stores (The Bay, Jet Set Sam, etc.) and are not included in Nielsen's food store database. The NFI food store definition is taken directly from Statistics Canada and includes all major grocery outlets which handle at least 60% groceries and related items. A market snapshot of the national sales volume and growth on both a dollar basis and tonnage over the last twelve months for canned salmon provided an indication of the size and direction of canned salmon in food stores across Canada. It was indicated that any specialty salmon soid in major food stores would be included and was believed to be very small. No other source of market data were available forthe tourist-oriented products. The voiumes produced and sold of these products were found to range widely, and no trends could be determined.

Given certain markets' propensity to purchase these high end products and the limited generic marketing information for char, we took into consideration available market data for canned salmon as a whole in an effort to determine if any market data applicable to salmon would apply to char as well. Table 2.5 provides the total canned salmon sales by region.

Table 2.5
Total Canned Salmon Sold in National Food Stores
Regional Caae and Dollar Sales
12 months ending Auguat/September 1989

	National	Maritime	Quebec	Ontario	Man/Sask.	Alberta	Br.Col.
Case Sales (000)	417.82	26.25	76.28	165.31	56.94	43.05	29.99
Trended Year Ago % Change	-13	-4	-5	-14	-14	-12	-27
Regional Sales Importance	100%	6.3	18.3	44.4	13.6	10.3	7.2
Dollar Sales (000,000)	$124.92	6.51	21.71	59.40	16.10	11.79	9.41
Trended Year Ago % Change	± 0	+6	+11	“-3	+3	+1	-11

Note: When compared to the all commodity importance of each region, Ontario and Man/Sask. are overdeveloped with respect to canned salmon sales. On the other hand, B.C. and Quebec are largely underdeveloped. This is probably due to B.C.'S proximity to fresh seafood and the differences in the average French Canadian's diet (more red meat).

Source: Nielsen Marketing Research, 1969.

Canned salmon sales in British Columbia have dropped by 11% over the past year, however, this is a measurement of traditional products at the retail level. Comparisons between the Alberta and British Columbia markets indioate that total B.C. canned salmon consumption is two-thirds that of Alberta. Given that B.C. has a population about 25% greater than Alberta, their per capita consumption would be approximately one-half that of Alberta. This is possibly due to B.C.'S proximity to fresh seafood. However, the products identified in Table 2.4 would not be included in such data as they are tourist-oriented products not typically moved through mainstream grocery departments.

2.6.2 Products Merchandised In Edmonton

The consultants conducted a survey of retail outlets in Edmonton. The following stores were visited:

- Woodward's Food Floor, Southgate Mall;
- Superstore, Calgary Trail;
- Zenari's Delicatessen, Manulife Plaoe; and
- Billingsgate Fish, Calgary Trail.

Only one outlet, Billingsgate Fish, oarried oanned smoked arctic char. This produot was labelled "Canned Smoked Arctic Char, Product of the U. S.A." The label was a photooopy of a typed notioe, taped onto the tin indicating a retail price of $4.95. All outlets carry gourmet fish products such as cryovaced smoked salmon and salmon pate but none carried the "fancy" canned salmon so prevalent in B.C. outlets.

A study by Ference provides estimates of the total market for fresh and frozen char based on percentage of salmon sales (excluding canned). It was postulated that if char captures only one-half of one percent (.5%) of the North American salmon market by being promoted as a "gourmet premium" produot, total sales oould be increased eightfold to 400 tonnes.

2.7 Summary

This section initially described a marketing framework and its four distriot phases; market analysis, produot planning, product development and merchandising. At the outset of this research assignment, several key components of these phases had already been determined. The product itself had been conceived, the potential plant scale and its associated capital and operating oosts had been addressed by other research, and the preferred packaging and product positioning strategy had been set out. Re-evacuation of some of these components was required, however, after additional information beoame available through the course of our research.

Market Analysis was constrained by two critical elements: the unavailability of relevant data on canned smoked arotic char and a corresponding lack of information on oompeting products. Salmon was consistently identified as the main competition to the canned arctic char being proposed. However, it is the tourist-oriented specialty canned and boxed salmon that comprises the bulk of this mmpetition, given the proposed char wholesale price of $4.50 to $4.50 per tin. This market is considered “very small’ and no supportable volume estimates could be put forth. Fortunately, the proposed production of canned smoked arctic char is also considered very small, with marketing efforts likely to hold ultimate responsibility for its market success.

Preliminary research identified high income residents and tourists (more specifically the Japanese) as the key target markets for the product proposed. Focusgroups and on-site discussions with merchants more clearly pointed to the Japanese tourist as the likely primary market for canned smoked arctic char.

Given the identified market data constraints, past efforts in the B.C. salmon and NWT country food industries were drawn on for direction in the current research. Clearly, global sales of B.C. canned salmon are large (casually estimated at 150 to 200 million tins”). The specialty canned salmon market comprises a very small part of these total sales, however. The proposed production level of 70,000 tins of canned smoked arctic would require a market share of about 0.05% (that is, 5/100 of 1% of the B.C. canned salmon market). This market percentage, while very small, may still prove formidable to capture because of price mnstraints, product unfamiliarity and the specific niche being targeted. The 70,000 tins of production could indeed forma considerable portion of the total volume of the specialty canned salmon which will form the bulk of its competition.

Product Planning was underway before this research commenced. Product and labelling decisions had been made. However, focus group research=, conducted in parallel to the research presented here, into label and package design was undertaken resulting in considerable re-design work. In addition, taste-tests were conducted to confirm preferred product characteristics (see following section).

Product Development was also underway prior to our research. Plant scale and feasibility research has been conducted. As well, prototype labels were developed by a graphics design firm in Calgary and pilot production was contracted to a B.C. canner. The decision to proceed to the test-marketing stage has been made and those results

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21 [1,305,000 (1983 -87average cases) x27.2 kg/casex 1,000 g] ÷ 212 g/tin = 170 million tins

[22] Focus-group results are being prepared for separate submission by Criterion Research Corp.

will provide further input for deciding the level of canned smoked arctic ohar production in 1990 and ultimately the re-opening of a canning plant in the NWT.

The Merchandising phase of this research is limited to that which is relevant to test-marketing.

Chapter 3 which follows deals specifically with the produot taste test findings. Chapter 4 summarizes the interview findings and introduces the final research phase - the Test-Marketing.

3.0 ARCTIC CHAR TASTE TESTS

3.1 Taste Tests

An initial production run of char was produced by Walcan Canners (Quadra Island), British Columbia, and submitted for taste testing to determine the preferred level of smoking as well as presentation. The char was produced in four lots according to four different levels of smoking. The canner indicated the control number of hours for smoking was four, which is the normal length of time for smoking fish. The number of hours of smoking for each lot is indicated below:

Lot #	Hours of Smoking
A	3.0
B	3.5
c	4.0
D	5.0

In addition to the level of smoking, the consultants were also asked to determine the presentation of the product. All four lots of char were filleted with the backbone removed. The bellybone had been removed from Lot C only; the bellybone was not removed from Lots A, B and D. The canner indicated the product could be enhanced by removing the beilybones plus removing the skin.

3.1.1 Agri-Food Processing Development Centre. Leduc

The Agri-Food Processing Development Centre in Leduc, Alberta, was contracted to perform taste tests to determine the preferred level of smoking. The results of taste tests for level of smoking indicated that most participants (13/32) preferred Lot D, the highest level of smoking (smoked 5.0 hours); however, a large number of participants (8/32) rated this as least preferred. Preference ratings for Lot C (smoked 4.0 hours) followed a normal curve; a large number liked it but not that many disliked it and was therefore recommended by the Centre. It was also reported that those individuals who preferred 5.0 hours of smoking would also enjoy the milder product. All individuals testing the product were very fond of smoked fish. The research scientist indicated that one can from Lot C was found to be considerably saltier than the other three cans of the same lot and it was recommended to the client that the canner be cautioned about monitoring and controlling the level of salt.

3. 2 Deloitte & Touche In-House Taste Testing

Results of a very limited in-house taste test for level of smoking corresponded with the results achieved from the Centre. The sample size was considerably smaller (ten respondents). The highest level of smoking (Lot D) was preferred. In addition to obtaining feedback on level of smoking, the respondents were also asked to provide their views on the appearance and texture of the product.

No bones were apparent. There was also no perceived difference in appearance between the lots which had only been filleted with the backbone removed and Lot D which, in addition, had the bellybone removed. The majority of respondents did not have a problem with the presence of skin. One individual indicated that the presence of skin makes the product appear more expensive. It was therefore suggested that the canner not remove the bellybone or skin as this could needlessly increase production costs and reduce yield. The majority of respondents indicated that the texture of Lot B appeared drier than the other lots.

Feedback received from individuals provided with samples of the product all indicated positive reaction to the product. The taste was found to be extremely palatable. Many individuals have expressed concern on preparing and serving the product and a few ideas were put forth. Suggestions were for simply placing the drained contents on a plate and serving with bread or crackers, soup or char bisque, or with linguini.

3.2 Vancouver Focus-Group Research

At the outset of the project, a single label had been selected for the product. Subsequently, two labels were proposed for evaluation and focus-group research was undertaken in the proposed test-market of Vancouver to provide a representative response for market segments identified to that point in time. Vancouver was selected over Edmonton because of its readily-available tourist market with the propensity to regularly purchase up-scale gourmet foods, and the perception that Edmonton residents were not readily willing to purchase high-end food products. An independent market research firm (Criterion Research Corp.) was contracted to conduct this testing with the participation of Deloitte & Touche, the paokage design artist, and the olient. These results will be provided in a separate report prepared by Criterion.

4.0 INTERVIEWS WITH RETAILERS AND DISTRIBUTORS

4.1 Identifvina Potential Outlets

An initial trip was made to Vancouver in October, 1989 to compile a preliminary list ,of test-market outlets and to gain an understanding of the level of market interest in canned smoked arctic char. A preliminary list of outlets selling competing products was prepared for Vancouver. Representatives from these outlets were then interviewed to determine their interest in carrying canned, smoked arctic char and to gain insight into market characteristics of the mmpeting products.

Table 4.1 reports comments from these preliminary discussions. It became apparent that the proposed product likely held only limited potential to local residents, perhaps as gift items for overseas relatives. Tourists, specifically the Japanese, were identified as the target group with the greatest likelihood to purchase the product.

Table 4.1
Potential Canned Smoked Arctic Char Outlets - Comments
Vancouver - October, 1989

Name	Category	Clients	comments
Town & Country LhAng Inc.	Retail	Locals	Potential market for local people taking gifts abroad. Do not need brochures for her clients. Willing to do in-store demos and promotion. Clear "Made in Canada" identification recommended.
Salmon Village	Retail	Locafs, Tourists	$5.50 met equates to $10.00 retail, competing with Salmon ($5.90 retail). Char market is mostly for Americans at present. Japanese prefer loxat $50.00/kg, smoked but not cooked. Volume of canned smoked salmon is low ('00s per year)

Name	Category	Clients	Comments
Made In British Columbia Shops	Retail	Locals, Tourists	Products they carry must be made in B.C. Japanese “go crazy" over salmon. "Yuppies" may buy the product. May sell 50 cans of satmon/day, other days more; not price sensitive.
Canadian Impressions	Retail	Tourists	Staff member never heard of Arctic Char. Have stores in Vanmuver, Victoria, and Banff; central purchasing. Sell hundreds of cans of salmon at this outlet.
The Bay	Retail	Locals, Tourists	Clear “Made in Canada” identification recommended. $5.50 cost equates to $9.99 retail. Newly expanded specialty food section will increase potential. Tourists may buy 100 cases, would try 5 cases (at 24-32 cans per) for a start. Yuppies want a can of something for less than $5.00. Marketing to the tourists holds promise beginning in May, not Christmas. Did not know what char was. Would do in-store demos if product was suppiied for free. Information on nutrition and how to use it may help, depending on market.
Inuit Gallery of Vancouver Ltd.	Retail	Locals, Tourists	Galleries sail art, do not market food. Galleries do not want to take chance on food products with high-paying clients. GNWT should be hmking up with established local canners/marketersto be more efficient. Concerned about quality/safety of NWT products.

Name	Category	Clients	Comments
Cheena B.C. Ltd./ Nikka Traders Inc.	Retail Wholesale	Tourists	Carry salmon at $5.50/can retail, Japanese are very interested.
			Exporta large volume of salmon to Japan; buyers know taste and cost.
			Does not matter if product is from B.C. or NWT, as long as Canadian.
			Cheena can supply boxes and labels if it will affect cost of product.
			Tour guides receive 25% of gross sales from stores visited.
			Cost of $4.50-$5.50 is getting high; retail price must be tripled.
			Exporting becomes very price sensitive.
			Quality of product is especially important when exporting, not for tourists.
			Would do local sales, do not need a broker.
The Salmon Shop	Retail	Locals, Tourists	May be advantage of having a local distributor to service clients.
			Canned items are easily stored and mailable as gifts.
			May sell 150 cans of specialty salmon per week.
			Will need to provide free samples to outlets to taste; charge for product after sold.
Picadilly Place (Ucs)	Retail	Tourists	Stores in major hotels across Canada.
			Purchasing decisions are all made in Toronto.

The research led to a short list of potential outlets, some of which had already been contaoted and others that had not, that focus largely on the tourist (particularly, the Japanese) market. These outlets were subsequently contacted in December, 1989. The seoond round of interview findings are reported in Table 4.2.

Table 4.2
Potential Canned Smoked Arctic Char Outlets - Commenta
Vancouver - December, 1989

Name	Category	Clients	comments
Elk gifts	Retaii	Tourists	Wanted to see samples, package design, and taste.
			Canada flag image was beiieved important.
North Pde Gifts	Retail	Tourists	Very snail store.
			Does not wish to carry any fish products.
OK Gift	Retail	Tourists	Tried canned saimon and product did not move weil; customers want to see what's inside.
			Scandinavia is marketing canned products in Japan and competing with salmon.
			Tour companies aretaking tourist'sorders and retail demand has faiien.
			No ionger interested in fish products.
Salmon Boutique	Retail	Tourists	Sail Cheena products.
			Canned products do not move weii, prefers the fillets.
Canada Gift House	Retail	Tourists	Do not sell fish products.
			Referred to the Salmon Boutique.
Allder's Duty Free	Retail	Tourists	Japanese staff catering to Japanese tourists, particularly honeymooners.
			Downtown store reportedly seils 15 times the doliar value that Eaton's does in summer.
			Seil canned smoked saimon -2-213 g. cans in a wooden box for $32.00.
			Duty-free product is not price sensitive but cans are the worst seller.
			Majority of demand is for fiileted-sliced-smoked-flash frozen product delivered to hotef.
			Guides also pm-sell for delivery whiie conducting tours.

Name	Category	Clients	comments
Aider's Duty Free (cent'd)			Oniy location wotth test-marketing the product would be at the downtown location. Only valid period to testis from May 1 to September; Christmas is inappropriate. Not a yuppie product; cost of $5.50 equates to a retail of $12.95 to $14.95, Do not need Japanese wording but "Canada" must be dearly identified. Allder's wili takea chance and if it fails here tt will fail elsewhere. Concerned, however, that this may not be the product that tourists want.
Ocean City	Retail	Tourists	Seilsvariety of canned smoked salmon with souvenir-size (106 g.) can being most popuiar. Point-of-saie sign in Japanese explaining product and price (handmade).
Nikka Traders inc.(2)	Whoiesaie	Tourists, Export	Believed that the volume sales WOUid come from direct export to Japan. Export quality would have to be acceptable ormerchantswould get negativefeedback and not reorder. Tourists buy on package and recognition-not quality, many people do not know what char is. A heavy-weight cardboard implies good quality, but at what cost. A cost of over $5.00 per can is high, dictating a tripled retail price of over $15.00. Guide gets 25% - 30% of sales, cost for product becomes very important. Need to be sure that the product is clearly "Canadian". Gaining export volume wouid not be a problem (100,000 to 200,000 cans) but wiii need to know price options: • with box and can label; . justwith canlabei ("Packed for Cheena by ...") and Cheena box;

N me	Category	Clients	Comments
			Locals will not be buying this product, even expensive to first-genemtion Japanese.
The Salmon Shop (2)	Retail	Locals, Tourists	Very interested in the product. Did not think it would be that price sensitive to tourists. Wanted to sample the finaf product and examine packaging. Two other family-owned outfets in Vancouver would likely also be interested.
New Wotid Harbourside Hotel	Retail	Tourists	Believed that 50% - 60% of tourists were from the Orient. Pm-marketing in airline magazines may increase exposure once on the market full-scale. Japanese want to buy and be exposed to good quality items. Contact with tour agencies may also help.

* (2) means second contact made.

The outlets that expressed interest in the proposed char product inquired about:

- product cost and stocking;
- product characteristics; and
- packaging and consumer appeal.

They expressed concern that, without knowing more details, they were unable to commit to test-marketing or commenting on the product's market potential. This is not at all uncommon for products sold at retail in our experience.

4.2 Consumer Profile

The market for canned smoked arctic char may exist in both the tourist and local sectors (to a limited extent). Research efforts, therefore, were concentrated on the Japanese tourist market.

4.2.1 Japanese Tourists

The tourists who come to North America from Japan are generally up-scale people from more affluent families. They are basically unfamiliar with North American culture. How they think and what they look for is quite unlike North Americans. The impressions and perceptions they have reflect those of affluent Japanese on an exotic holiday, and are likely quite different from Canadian Japanese who may not be so up-scale, not on a holiday and who have a North American culture. Japanese tourists often tend to perceive many Canadian products as incredibly cheap. Therefore, their outlook is totally different and the same is likely to hold true regarding their attitudes towards the purchase of cans of fish, their views on the attractiveness and other dimensions regarding the packaging, and, of course, their attitudes towards the flavour of the product.

We were cautioned by retailers about the identify problem associated with canned smoked arctic char. If Japanese tourists do not know what char is and if they are pre-sold on salmon, they may be unwilling to purchase arctic char. Many Vancouver-based retailers indicated that smoked salmon (both canned and lox), elaborately packaged, is preferred by the Japanese. Understanding packaging preferences is clearly very important.

The British Columbia Ministry of Tourism provides an indication of the percentage [numbers] of tourists visiting British Columbia and Vancouver[23].

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[23] Relevant sources include Ministry of Tourism, Province of British Coiumbis, Tourist Information Packaae and Non-Resident Overniaht Visitor Oriains, Peak Season (June to October) Travel, published by Tourism Vancouver in the Visitors '87 publication.

Table 4.3
B.C. Visitor Expenditures and Length of Stay

Visitor Origin	Per Diem Expenditures*	Average Length of Stav (Days)
B.C. Resident	$53.55	4.0
Other Camdian	55.48	6.8
Us.	52.62	4.3
Overseas	61.40	9.8

* Per diem expenditure refers to the money spent per person in one day on transportation, accommodation, meals, groceries, recreation, entertainment and gifts, etc., while travailing.

Source: Ministry of Tourism, Marketing Division, Research Services Branch, Victoria, B. C., August 1989.

The per diem amount varies with visitor origin, region of overnight stay, and trip purpose. Visitors from overseas have the highest average expenditures and the longest length of stay; therefore, their mntribution to the economy is the most significant.

Overseas and international visitors represent almost 8% of people traveling one or more nights in British Columbia, accounting for almost one million person trips and approximately $600 million in tourism revenues. The overseas market has grown approximately 20% in each of the last two years. The top five overseas markets are Japan (21%), United Kingdom (17%), West Germany (11%), Hong Kong (8%) and Australia (6%).

Table 4.4
Overaeas Visitors

Visitor Origin	1987	1988	1989*
Japan	159,920	204,944	
United Kingdom	135,723	163,564	
West Germany	96,914	109,672	
Hong Kong	57,875	75,751	
Australia	55,182	63,206	
Total Entries	814,032	974,653	1,150,000

* Estimated

Source: Ministry of Tourism, Marketing Division, Research Services Branch, Victoria, B. C., August 1989.

It has already been established that the greatest likelihood of success in marketing such a high-priced, unique Canadian product as the proposed Arctic Char appears to be with Japanese tourists in British Columbia. It is thought that most Japanese tourists are part of a tour and follow a very rigorous schedule. They often only spend one to two weeks and see much of Canada during that period. The tours will include a variety of stores and only one of each specialty (i.e., furs, art, seafood, etc.) store per tour. Any material that could be provided prior to their actual visit (through tour agencies, wholesalers or airlines) would likely impact volumes. However, at the test stage, this could create excessive costs to the GNWT and possible unfulfilled expectations and confusion to the potential consumer.

4.2.2 British Columbia Residents

Another smaller market may exist with high-income immigrants purchasing easily shipped products for gifts. A second market (although generally considered to be very limited) was identified as high income local residents and the more traditional American tourists.

4.2.3 Alberta Rockies

It was also found that Japanese tourists to Alberta (particularly the rockies) were also expected to generate demand for this product, likely because these people tend to be the same Japanese tourists that originally entered through Vancouver. It is reasonable to assume that a similar level of marketing success with the product would be reached in Jasper or Banff, recognizing that the proportion of Japanese tourists may differ between the Rockies and the West Coast.

Discussions with the Sales Manager from the Westin Hotels in Edmonton indicated that the Westin hotel chain throughout Canada provides Japanese tourists with room gifts of Alberta jams and honey. Brewster Bus Lines in Banff, Alberta, provides bus tours for Japanese tourists year-round. Fancy packaged canned smoked arctic char gift sets may be appropriate for these markets as well.

4.2.4 Canadian Arctic

No information is available on market potential for the product in the NWT or Yukon. However, the indigenous characteristics of canned' smoked arctic char may make it a desirable product for tourists or business people visiting the arctic. The client has gained cooperation from a merchant in Yellowknife for the test-marketing phase to evaluate this potential.

4.2.5 Other Potential Markets

At this point, it is premature to speculate on broader marketing. However, there maybe interest in targeting other markets, including the service industry, hotels, airlines and other gift opportunities, tourists and export. Selected opportunities may warrant pursuit following the test-marketing phase.

4.3 Approach to Test-Marketing

Initial contact has been made with several potential test-market outlets. Given that tourists (and particularly the Japanese) appear to hold the greatest potential for market success, the outlets indicating the greatest affinity to reach this market will form the focal point of the test-marketing effort.

Several specific issues remain to be acted upon.

1. It is our understanding that package development is currently underway. An instrument will be developed to solicit end-user feedback on the product. Outstanding items include:
   - information required;
   - means of solicitation; and
   - language considerations.

2. We will require final details on product pricing and distribution:
   - cost to outlet (pricing/packaging options, payment options, etc.); and
   - storage and distribution arrangements available.

3. Seleoted outlets will be oontacted to establish commitment to distribution:
   - evaluate point of sale requirements;
   - finalize arrangements as noted in Item 2 above; and
   - develop ongoing distributor monitoring approach.

4. The final oomponent of the research will report sales results, distributor feedback, and recommendations. End-user (consumer) feedback will be direoted to the GNWT.

As discussed in this report, a number of actions need to be taken to oomplete the marketing prooess for the proposed oanned smoked arotic char.

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